

**EDUCATIONAL SERVICE DISTRICT No. 123**  
**Walla Walla County, Washington**  
**Special Audit**  
**April 1, 1994 Through April 30, 1995**

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**Schedule of Findings**

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1. Public Funds Were Misappropriated And Accounting Records Were Falsified

Our audit of the financial records of Educational Service District No. 123 revealed that at least \$3,719.51 in public funds was misappropriated by the Superintendent during the period April 1, 1994, through April 30, 1995. Accounting records were falsified in an attempt to conceal these losses. There were no federal funds involved in this case. These funds were misappropriated as described below.

Two disbursement transactions were processed through the district's accounting system for the repair of the Superintendent's personal vehicles.

a. Voucher No. 1699, Warrant No. 942335, April 29, 1994, \$2,914.52

The Superintendent's 1988 Ford Thunderbird automobile was repaired at Teague Motor Company on Repair Order No. 57782, dated March 25, 1994. The repair order document was altered by whiting out the name of the person authorizing the service, the vehicle year and make, license number, and mileage. False data was then entered on the document for the vehicle year and make, license number, and mileage to indicate that the district's 1991 Dodge Van was the vehicle being repaired. To conceal this alteration, the Superintendent then turned-in a xerox copy of the repair order for disbursement purposes. Acting as the district auditing officer, the Superintendent then signed a certification indicating that this claim was a just, due, and unpaid obligation against the district on April 19, 1994.

b. Voucher No. 2072, Warrant No. 952764, April 28, 1995, \$804.99

The Superintendent's 1993 Ford Explorer automobile was repaired at Teague Motor Company on Repair Orders No. 65594 and 65600 dated April 7, 1995. While these two repair orders totaled \$805.72, there is a repair estimate form on file with the voucher indicating that it would cost \$804.99 to repair the district's Chevrolet Media Van. Thus, this lesser amount was the amount the district actually expended on this transaction. The auditing officer certification on this claim was not signed by anyone at the district.

During the majority of the time during the period of this loss, the Superintendent was responsible for performing the auditing officer function of authorizing claims for reimbursement submitted for payment at the district. This gave the Superintendent the ability to circumvent the district's internal control procedures without detection by anyone else within the organization.

When we discussed these irregularities with the Superintendent on August 2, 1995, he

indicated that he had these personal vehicles repaired at district expense because they were reportedly damaged while performing official business functions on behalf of the district. While admitting that he altered one of the above repair orders, he could provide no reasonable explanation for taking this action.

Since the Superintendent was paid a specific rate per mile to drive his personal vehicle while conducting official business functions on behalf of the district, these repair expenses represented a personal expense rather than a district expense. Therefore, there was no public purpose for these disbursement transactions. In addition, there were no district policies and procedures which addressed the circumstances surrounding these events. Finally, these specific disbursement transactions were neither authorized nor approved by the board of directors.

On August 2, 1995, members of the district's board of directors placed the Superintendent on administrative leave pending the final outcome of this investigation.

RCW 9A.56.030 states:

Theft in the first degree. (1) A person is guilty of theft in the first degree if he commits theft of:

(a) Property or services which exceed(s) one thousand five hundred dollars in value; or

(b) Property of any value taken from the person of another.

(2) Theft in the first degree is a class B felony.

RCW 9A.60.020 states:

Forgery. (1) A person is guilty of forgery if, with intent to injure or defraud:

(a) He falsely makes, completes, or alters a written instrument or;

(b) He possesses, utters, offers, disposes of, or puts off as true a written instrument which he knows to be forged.

(2) Forgery is a class C felony.

Article 11, Section 14 of the Washington State Constitution states:

Private use of public funds prohibited. The making of profit out of county, city, town, or other public money, or using the same for any purpose not authorized by law, by any officer having the possession or control thereof, shall be a felony, and shall be prosecuted and punished as prescribed by law.

RCW 40.16.020 states:

Injury to and misappropriation of record. Every officer who shall mutilate, destroy, conceal, erase, obliterate or falsify any record or paper appertaining to the officer's office, or who shall fraudulently appropriate to the officer's own use or to the use of another person, or secrete with intent to appropriate to such use, any money, evidence of debt or other

property intrusted to the officer by virtue of the officer's office, shall be punished by imprisonment in a state correctional facility for not more than ten years, or by a fine of not more than five thousand dollars, or by both.

RCW 42.20.060 states:

Falsely auditing and paying claims. Every public officer, or person holding or discharging the duties of any public office or place of trust under the state of in any county, town or city, a part of whose duty it is to audit, allow or pay, or take part in auditing, allowing or paying, claims or demands upon the state or such county, town or city, who shall knowingly audit, allow or pay, or directly or indirectly, consent to or in any way connive at the auditing, allowance or payment of any claim or demand against the state or such county, town or city, which is false or fraudulent or contains any charge, item or claim which is false or fraudulent, shall be guilty of a gross misdemeanor.

The following internal control weakness allowed this misappropriation of public funds to occur and not be detected in a timely manner. The district auditing officer function was performed at an inappropriate level within the organization.

- a. The Superintendent acted as the auditing officer prior to March 1, 1995. This gave the Superintendent the ability to circumvent the district's internal control procedures without detection by anyone else within the organization. The Superintendent position appeared to be too high in the organization for the auditing officer function.
- b. Responding to comments from our prior audit, district procedures were changed to designate the accounts payable clerk as the auditing officer after March 1, 1995. The accounts payable clerk position appears to be too low in the organization for the auditing officer function.
- c. After reviewing the organization structure of the district, the fiscal consultant position appears to be the ideal location for the auditing officer function within the district.

We recommend Educational Service District No. 123 seek recovery of the misappropriated \$3,719.51 and related audit/investigation costs from the Superintendent. We further recommend the Washington State Office of the Attorney General and the Walla Walla County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for district employees is as follows:

Eastern Washington School District Insurance Group  
United Pacific Insurance Company  
Public Employee Dishonesty Policy  
Policy No. U2158774  
\$100,000 Per Loss, With \$1,000 Deductible Provision  
September 1, 1993, to September 1, 1995

We also recommend Educational Service District No. 123 review overall accounting controls for disbursements, correct the weakness outlined above, and implement an

effective system of internal control designed to ensure the protection of public assets.